

Message Text

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ACTION EB-07

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FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC PRIORITY 5498

INFO AMEMBASSY ABIDJAN

AMEMBASSY ADDIS ABABA

AMEMBASSY BOGOTA

AMEMBASSY GUATEMALA

AMEMBASSY JAKARTA

AMEMBASSY KINSHASA

AMEMBASSY MANAGUA

AMEMBASSY MEXICO CITY

AMEMBASSY NAIROBI

AMEMBASSY NEW DELHI

AMEMBASSY QUITO

AMCONSUL RIO DE JANEIRO

AMEMBASSY SAN JOSE

AMEMBASSY SANTO DOMINGO

AMEMBASSY SAN SALVADOR

AMCONSUL SAO PAULO

AMEMBASSY TEGUCIGALPA

AMEMBASSY YAOUNDE

UNCLAS BRASILIA 4018

E.O. 11652: N/A

TAGS: EAGR BR

SUBJECT: PRELIMINARY REPORT ON THE FIFTH GUARUJA COFFEE SEMINAR

REF: STATE 106373

1. BEGIN SUMMARY:

CONSUL GENERAL SAO PAULO REPORTS THAT THE FIRST TWO

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DAYS OF THE FIFTH GUARUJA COFFEE SEMINAR PROVIDED NO STARTLING

SPEECHES AND NO SIGNIFICANT NEWS. ACCORDING TO CONSUL GENERAL, MANY SANTOS TRADERS AND CERTAIN US DELEGATES CONTINUE TO BELIEVE THAT BEST ESTIMATE 1976 - 77 BRAZILIAN COFFEE PRODUCTION SHOULD BE ON THE ORDER OF 8 MILLION BAGS.
END SUMMARY.

2. MINISTER OF COMMERCE AND INDUSTRY SEVERO GOMES' OPENING SPEECH WAS ALMOST AS DULL AND INCONSEQUENTIAL AS HIS CLOSING REMARKS AT THE 4TH SEMINAR LAST AUGUST. AS ACCURATELY REPORTED IN THE PRESS, HE AFFIRMED THAT BRAZIL WOULD RECOVER FROM THE JULY 1975 FROST WITHIN THE NEXT THREE YEARS AND AGAIN REACH TRADITIONAL BUT UNDEFINED PRODUCTION LEVELS. DURING THIS PERIOD, HOWEVER, EXISTING COFFEE STOCKS WOULD BE COMPLETELY DISSIPATED. HE CALLED FOR REPLANTING OF COFFEE TREES IN ACCORDANCE WITH THE MOST MODERN TECHNOLOGY. WITH REGARD TO COFFEE PRICES, THE MINISTER WAS EQUALLY VAGUE, CALLING FOR PRICES WHICH COVERED PRODUCTION COSTS AND WHICH WOULD "ASSURE THE FUTURE REGULARITY OF THE MARKET."

3. DR. JOSE DE PAULA MOTTA FILHO OF THE IBC GAVE A BRIEF SLIDE PRESENTATION ON BRAZILIAN RECOVERY SINCE THE JULY 1975 FROST AND PRESENTED SOME DATA ON FULFILLMENT OF THE GOVERNMENT'S PROGRAM WHICH REVEALED SUBSTANTIAL SHORTFALLS IN ANTICIPATED REPLANTINGS. THIS DATA WILL BE ANALYSED IN DETAIL BY AIRGRAM.

4. AMBASSADOR RENE MONTES COBAR, GUATEMALA'S REPRESENTATIVE TO THE INTERNATIONAL COFFEE ORGANIZATION, GAVE A HISTORICAL SURVEY OF PRODUCTION IN THE OTHER MILDS COUNTRIES SINCE 1963 SHOWING THE INCREASES IN PRODUCTION IN THE AREA AFTER EACH BRAZILIAN FROST. HE CITED THE STEADILY UPWARD TREND IN PRODUCTION BUT NOTED THE USDA'S ESTIMATE FOR 1975/76 OF 13 MILLION BAGS, A RECORD LOW FOR RECENT YEARS (WELL BELOW THE LAST FIVE YEAR'S AVERAGE OF 14.2 MILLION BAGS AND DOWN SHARPLY FROM LAST YEAR'S RECORD PRODUCTION OF 16.7 MILLION BAGS). THE AMBASSADOR CITED CYCLICAL PRODUCTION FACTORS AS WELL AS A DROUGHT IN CENTRAL AMERICA AS THE CHIEF FACTORS RESPONSIBLE FOR THE EXPECTED DROP IN PRODUCTION. HE LIMITED HIS FUTURE PREDICTIONS TO CITATION OF OIC COFFEE ESTIMATED OF 17.5 MILLION BAGS FOR THE 1980/81 PERIOD. HE LEFT THE IMPRESSION OF SOME RESERVATIONS ABOUT THE POSSIBILITY OF ACHIEVING THIS LEVEL.

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5. AMBASSADOR SEYDOU DIARRA OF THE IVORY COAST GAVE A BRIEF PRESENTATION ON AFRICAN ROBUSTA COFFEE PRODUCTION, EMPHASIZING THE SMALL SCALE OF INDIVIDUAL PRODUCTION UNITS. HE NOTED THE IVORY COAST'S LEADERSHIP IN AFRICAN ROBUSTA PRODUCTION AND EMPHASIZED THE POLITICAL PROBLEMS. IN ANGOLA, TRADITIONALLY AFRICA'S SECOND LARGEST PRODUCER. HE ESTIMATES THAT ANGOLA'S PRODUCTION WILL FALL FROM 3.3 MILLION BAGS IN 1974/75 TO 1.14 MILLION BAGS IN 1975/76 AND THAT COFFEE PRODUCTION THERE WOULD NOT ONLY BE

AFFECTED BY PAST POLITICAL DIFFICULTIES BUT BY THE APPARENT INTENTIONS OF THE NEW GOVERNMENT TO COLLECTIVIZE AGRICULTURE WHICH HE CONSIDERED A DISTURBING FACTOR FOR SOME YEARS TO COME. HE ALSO SAID THAT THE 1973 GOVERNMENT DECREE IN ZAIRE REQUIRING TRANSFER OF ALL AGRICULTURAL PROPERTIES OWNED BY FOREIGNERS TO NATIONALS OF THAT COUNTRY WOULD TO BE AN ADVERSE FACTOR WITH REGARD TO COFFEE PRODUCTION FOR THE NEXT FEW YEARS. HE ESTIMATED ZAIRE'S PRODUCTION AT 900,000 BAGS IN 1975/76, DOWN FROM 1.15 MILLION IN 1974/75. THE AMBASSADOR REPEATED THE OIC'S ASSUMPTION THAT BY A LINEAR PROJECTION AFRICA'S ROBUSTA PRODUCTION WOULD REACH 19.6 MILLION SACKS BY 1980/81, BUT INDICATED THAT THE POLITICAL AND SOCIAL FACTORS WHICH HE HAD MENTIONED MADE IT UNLIKELY THAT THE TARGET WOULD IN FACT BE ACHIEVED. FINALLY, AMBASSADOR DIARRA EXPLAINED THE NATIONAL COFFEE PRODUCTION CONTROLS IN AFRICAN COUNTRIES AND SAID THAT THIS TIGHT NATIONAL CONTROL ELIMINATED A DIRECT, IMMEDIATE INCENTIVE FOR FARMERS TO INCREASE THEIR PRODUCTION OF COFFEE. THE INDIVIDUAL FARMERS WERE SIMPLY NOT AWARE OF INTERNATIONAL PRICE TRENDS.

6. THE MAIN NEWS WAS IBC COMMERCIAL DIRECTOR DELAULO DE OLIVEIRA BAUMGRATZ'S ANNOUNCED OUTSIDE THE CONFERENCE HALL THAT BRAZIL HAD EXPORTED 3.6 TO 3.8 MILLION BAGS OF COFFEE VALUED AT APPROXIMATELY \$400 MILLION IN THE FIRST FOUR MONTHS OF 1976. EXTRAPOLATING FOR THE YEAR THIS WOULD RESULT IN TOTAL EXPORTS OF \$1.2 BILLION OR WELL BELOW THE EMBASSY'S PREVIOUS ESTIMATES FOR B/P PURPOSES OF \$1.5 BILLION. THE SANTOS TRADE, HOWEVER, CONTINUES TO ESTIMATE 1976 EXPORTS AT BETWEEN \$1.6 BILLION, AS THE PRESS NOTED.

7. DISCUSSING THE USDA'S ESTIMATE OF 9.5 TO 10 MILLION BAGS FOR BRAZILIAN PRODUCTION IN 1976/77; SENIOR EXECUTIVES OF CERTAIN MAJOR AMERICAN AND FOREIGN COFFEE COMPANIES (TOWER, PRESIDENT OF MAXWELL HOUSE DIVISION, GENERAL FOODS; LAWRENCE ISRAEL, UNCLASSIFIED

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A.C. & LEON ISRAEL) COMMENTED THAT IN THEIR VIEW, BASED ON THEIR OWN NETWORK OF INFORMATION, USDA ESTIMATES WERE TOO HIGH. THE SANTOS COFFEE TRADE CONSENSUS CONTINUES TO ESTIMATE 1976/77 BRAZILIAN PRODUCTION TO BE APPROXIMATELY 8 MILLION BAGS WITH VARIANCES ON EITHER SIDE OF THAT FIGURE. THE AMERICAN COFFEE IMPORTERS, INCLUDING MR. TOWER, PRESIDENT OF MAXWELL HOUSE, WITH WHOM THE CONSUL GENERAL SPOKE, AGREED WITH THE SANTOS TRADE'S ESTIMATES. THE ONE EXCEPTION IN THIS CONSENSUS IS THE COFFEE EXPERT FOR THE SOLUBLE COFFEE MANUFACTURE AND GREEN COFFEE EXPORTING HOUSE, CACIQUE, WHO GAVE AN ESTIMATE OF APPROXIMATELY 10 MILLION BAGS. JOHNSON

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